

Investing

If you've learned how to save your money, you may realize that you are not making much money from your savings account. If you want your money to make more money for you then you should learn about investing. Here is an example to help explain what investing is and how you can invest your money:

Let's pretend that you started a car washing company named Cawash. You need money for soap, sponges and towels. (Your parents decide to let you use their water and hose.) You decide that it will cost \$100 to start your company. You only have \$25. You decide to borrow \$50 from your Dad and will pay him back 5% **interest** in one year. Your Dad just bought a **bond** by lending your company money. You still need \$25 so you decide to issue 50 shares of **stock** in your company. You keep half the shares and sell the other shares for \$1 a piece to your sister for a total of \$25. Your sister now owns half of the company (half of the stocks).

You charge \$10 for every car wash and wash 50 cars. You make \$500. You pay back your Dad \$50 plus \$2.50 in interest. You also pay yourself \$250 for the work you put in. Let's say you told your sister that you would pay a **dividend** (a portion of earnings paid to shareholders) of say \$1 for every share of stock. You would then give yourself and your sister \$25 a piece. The extra money is profit that you may want to reinvest in Cawash for more supplies or put in other investments.

This example describes stocks and bonds. If you are interested in learning more